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TO RUEHCV/AMEMBASSY CARACAS IMMEDIATE 1731  
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INFO RUCNMER/MERCOSUR COLLECTIVE IMMEDIATE  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE  
RUEHC/DEPT OF LABOR WASHINGTON DC IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L BUENOS AIRES 000288

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E FOR THOMAS PIERCE,  
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PASS USTR FOR DUCKWORTH  
DOC FOR ALEXANDER PEACHER  
TREASURY FOR LTRAN  
USCINCSO FOR POLAD

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TAGS: [ECON](#) [EPET](#) [ENRG](#) [EAGR](#) [VZ](#) [AR](#)  
SUBJECT: ARGENTINE PRESIDENT TO VENEZUELA: ENERGY, AG THEMES  
OVERSHADOWED

REF: A. BUENOS AIRES 274

- [1](#)B. BUENOS AIRES 272
- [1](#)C. BUENOS AIRES 230
- [1](#)D. 07 BUENOS AIRES 360
- [1](#)E. 07 BUENOS AIRES 311

Classified By: Ambassador E.A. Wayne. Reasons 1.5 (b,d)

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Summary  
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[1](#)1. (SBU) President Cristina Fernandez de Kirchner and her Planning Minister Julio De Vido will meet March 6 in Caracas with Venezuelan President Hugo Chavez on her way to the Rio Group summit in the Dominican Republic and a visit to Argentine peacekeeping troops in Haiti. Following Bolivia's February 23 statement that it may not be able to provide all the natural gas supplies it had promised Argentina, GoA statements over the past week have raised expectations that this CFK/Chavez meeting will be used to explore more substantive energy cooperation between Argentina and Venezuela. CFK continues to argue that as Europe needs Putin and Russian natural gas, so South America needs to deal with Chavez to meet its energy needs. However, relatively non-substantive energy and food security accords will anchor the brief bilateral visit, and the mobilization of Venezuelan troops on the Colombian border and intensive OAS diplomacy may well subsume economic themes.  
End Summary

[1](#)2. (SBU) President Cristina Fernandez de Kirchner departs March 5 for Caracas and a March 6 bilateral meeting with President Hugo Chavez on her way to the Rio Group summit in the Dominican Republic and a visit to Argentine peacekeeping troops in Haiti. Post has confirmed that Planning Minister De Vido will accompany the President for at least the Venezuela portion of the trip. (De Vido had personally advanced the CFK/Chavez bilateral in a visit to Venezuela the week of February 18.) Foreign Minister Taiana will also join and continue to the Dominican Republic and Haiti.

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CFK/Chavez Energy Accord: Non-Substantive  
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13. (SBU) An extension of a now 3-year old agreement for GoA national oil company ENARSA to purchase power plant fuel oil and refined diesel from its GoV counterpart PDVSA is set to be an anchor agreement signed during the CFK/Chavez meeting. Interestingly, local analysts note that the bulk of fuel oil and diesel fuel purchased under these bilateral accords to date has not/not originated in Venezuela but instead has been purchased by Venezuelan brokers on international commodity markets for on-sale to Argentina. Given the very liquid international trading market in international hydrocarbon derivatives, local analysts highlight the lack of transparency in these GoA fuel purchases through Venezuela and, ultimately, the benefit to Argentina of having the GoV play a brokering role at all.

14. (SBU) Following Bolivia's February 23 warning, made during a CFK/Lula Morales energy summit (Ref C), that it may not be able to provide all the supplies it had promised Argentina, the GoA has been highlighting energy cooperation with Venezuela. "If we don't have Bolivian gas, we'll have to look for alternatives," Cabinet chief Alberto Fernandez told a radio journalist February 25. Fernandez did not give a precise plan but said Argentina might import fuel oil from Venezuela, as it did in years past, or turn to bottled natural gas to ensure that consumers are able to heat their homes, cook their food and power their cars.

15. (SBU) On February 26 (and later in her March 1 State of the Nation speech to Parliament - Ref B), CFK called for the final incorporation of Venezuela as a full member of the MERCOSUR trade bloc to "finally close the region,s energy equation." She qualifies her call as a measure of &pure rationality for (the region,s) energy requirements8 and not a defense of Venezuelan President Hugo Chavez. Argentina's second largest circulation daily, La Nacion, reported

February 27 on GoA sources saying that "Chavez has never been so necessary as now." The sources said that the arrangement to be proposed during CFK's March 6 meeting with Chavez is "food for Venezuela and political support for a weak Chavez, in exchange for energy." Chief Cabinet Minister Alberto Fernandez told Ambassador March 5 that CFK firmly believes that, just as Europe needs to deal with and sign accords with Putin to get Russian natural gas, so Mercosur and others need Chavez, even if they don't agree with all of his ways.

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Food Security Pact, Argentina Venezuela Trade  
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16. (SBU) According to Embassy Planning Ministry contacts, the food security accord will formalize existing efforts by Argentine companies, the GoA's National Institute of Industrial Technology (INTI) and the National Institute of Agricultural and Livestock Technology (INTA) to sell agro-industrial products and technology to the GoV and to Venezuelan private sector players. (Ref D). In fact, while overall agricultural trade between Argentina and Venezuela has expanded, its overall levels remain modest: Argentine exports of agricultural products to Venezuela, primarily agro-industrial equipment, totaled \$320 million in 2007, up 533% since 2003. Interestingly, exports of milk products to Venezuela fell 43% to US\$56 million in 2007, the year that the GoV made a much-publicized bailout of an Argentine milk cooperative (Ref C) with a repayment plan which was to include expanded shipments of powdered milk.

17. (SBU) Overall Argentine exports to Venezuela in 2007 totaled \$1.2 billion, and imports \$24 million. Argentine exports have risen every year since 2003 (a total of 734% in that period). Imports from Venezuela were primarily in the areas of tools, aluminum and products, vehicles, and hydrocarbons. Hydrocarbon imports are down significantly from a 2004 high of \$19.5 million (when Argentina' imported a much-publicized fuel oil shipment from Chavez) to just \$2.8 million in 2007. On the export side, vehicles led the way

with a value of US\$ 379 million, followed by machinery (\$139 million), iron and steel and products (\$107 million), meat (\$79 million), and fats and oils (\$74 million). All of these exports have increased substantially over several years, especially vehicles, which grew over 8500% (from \$4.4 million) since 2003.

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Comment  
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18. (C) While the visit's original focus was broadly economic, with agreements on food security and on energy cooperation to be signed, the mobilization of Venezuelan troops on the Colombian border and intensive OAS diplomacy -- and CFK's desire to play a leading role in brokering a peaceful outcome -- may subsume the economic agenda of the trip. Facing growing domestic concerns about energy shortages, CFK had been billing the GoA's tolerance of the BRV as pragmatic, with a view to "closing the energy equation." In her March 1 State of the Union speech (Ref B), CFK repeated her position that Mercosur should admit Venezuela to help address energy security, not because of "personal sympathies or political friendships." CFK and her advisers are well aware that the timing of her visit to Caracas may shift attention away from the original objectives for the trip. CFK will meet with Ecuadorian President Correa the evening of March 5 in Caracas. Septel will report the Ambassador's conversation with Cabinet Chief Fernandez regarding CFK's intention to use her previously scheduled stop in Caracas to urge a lowering of tensions and peaceful solution to the crisis. The Ambassador has privately urged CFK's advisers to be wary of Chavez's likely efforts to manipulate her visit to his political advantage. We have been assured that she is aware of the potential traps and will seek to avoid them.  
WAYNE